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Market Development Reports

More Competition Among Retail Giants

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Report Highlights:

After Carrefour opens its door in Guangzhou in August 2002, America's PriceSmart is scheduled to open its door in November 2002.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Guangzhou [CH3], CH

More Competition Among International Retail Giants

This is a translation, with minor edition and deletion, of a newspaper report on the impending establishment of PriceSmart store in Guangzhou.

PriceSmart, the third largest supermarket in the U.S. having the reputation of International "Price Killer", announced recently that its 22nd branch in China will be opened at the Hen Bao Hua Ting Building, Baohua Road, No. 1833, Guangzhou in November and a South China Purchasing Center will also be set up in Guangzhou. This is another international retail magnate to descend on Guangzhou after Carrefour, a self-designated discount merchant, established its first supermarket in Guangzhou on August 16, 2002.

Brands Promotion and Technical Management Transfer

PriceSmart is reportedly the originator of membership warehouse supermarkets. According to early reports, PriceSmart wanted to join the market in China as early as 1996. However, in view of the Chinese policy that a foreign enterprise is allowed to hold only 49% stocks of a joint-venture. PriceSmart decided to begin its entry into China through brands promotion and technical management transfer.

PriceSmart (China) established the first membership warehouse club-store in Beijing in 1997; now there are 20 supermarkets. It will start 18 chain stores in the next 4 months, and will have over 70 stores by the end of 2003. They expect to achieve a total sale of more than RMB a hundred billion yuan (Approximate US\$ 1.2 billion).

Different Pricing Strategy

On the threshold of the PriceSmart entry into Guangzhou, consumers are interested in knowing how the international retailers achieve their low price strategy, and whose price is the lowest.

According to Mr. Tom Hammer, the Executive Vice President of PriceSmart (China), the pricing strategy of PriceSmart is quite different from those of Wal-Mart and Carrefour. With their immense advantage of global chain networks, Wal-Mart and Carrefour have gained the "right of speaking" in the purchasing sector, thereby reducing commodity prices. PriceSmart's low-price route is to use membership fee as a form of revenue to reduce operation costs. This measure usually makes the market price cheaper by 10%.

Although all hypermarket are touting the policy of low price, PriceSmart membership attracts a consumer group difference from the general public of Wal-Mart and Carrefour. The PriceSmart warehouse hypermarket is focused on higher-income consumers. It offers the members a cozy shopping environment, free parking space, top of the line brand items and relatively low prices. Other retailed hypermarkets are unable to offer these same privilege to a general, undifferentiated consumer group. Besides, a PriceSmart member can also enjoy other benefits, including catering, tours, entertainment, medical consultation and health care services.

